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INTRODUCTION

A final year of opportunity is now ahead for researchers and educators to offer input into the important 1984-85 agricultural and food policymaking period. Seldom in previous cycles of policy formation has public concern, and interest, been so intense. The public's attention is being directed to how well present policy is working, to diverse future needs of the changing agricultural sector, and to the possibilities of new policy approaches and options. Uncertainties associated with the decline in agricultural exports, tensions in the world trade arena, the costs of present programs, and continued gyrations in agricultural production and prices continue to overshadow policy discussions.

Innumerable policy joint-research efforts, publication projects, educational programs, workshops, and conferences are underway under both private group and public institutional auspices. The contents of this issue of the Notes captures many of these activities and the ideas they are spawning. Perhaps never before for policy workers has the need for relevant knowledge been more urgent, the challenge to good scholarship stronger, and the opportunity for service greater.

Policy Research Notes is distributed to provide a communication linkage among these policy workers. It is circulated on a May and November schedule each year. Requests for copies of earlier issues of these Notes, comments or suggestions about them, and proposed contributed articles may be sent to either address below.

CONTENTS

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. The Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and James A. Zellner, Food and Agricultural Policy Branch, ERS, 500 12th Street, S.W., Washington, D.C. 20250.

ANNOUNCEMENTS

The thirty-fourth annual National Public Policy Education Conference will be held September 23-28, 1984 at Airlie House Conference Center, near Warrenton, Virginia. A program committee under the leadership of B. F. Stanton, Cornell University, will be developing plans for the conference in the coming months.

Program Launched on Agriculture, Stability and Growth--Toward a Cooperative Approach

"Agriculture, Stability and Growth: Toward A Cooperative Approach" (ASG) is the title of a program being initiated by the Curry Foundation. The objectives of ASG will be to focus expert and political attention on the prospects of developing a coherent general policy for American agriculture and for effectively integrating it with related concerns.

ASG is an effort to pool ideas on the broad and very complicated issues of how American agricultural policy might be coordinated with the agricultural policies of other nations, either by agreement or by assessment and planning. The contradiction of food surpluses in some countries while famines persist in others confronts the world with policy questions which the ASG program is designed to help solve.

Functionally, the ASG is commissioning papers on four key subjects as the raw data for a preliminary conference. These are: Longterm trends in world markets; Prospects for integrating producer nations' agricultural strageties; Future of U.S. agriculture; and Coordination of developed countries' policies toward third world agricultual development. Through succeeding paper reviews and revisions, and further conferences representing various segments of agriculture, a final overview and policy statement will be produced as a contribution to the policy-making process of 1984-85.

For additional information about the program, contact Pat Nichols, Curry Foundation, 2100 M. Street, N.W., Washington, D.C. 20037.

First Farm and Food System in Transition Publications Released

The initial eight leaflets have just been published from the National Cooperative Extension Project on "The Farm and Food System in Transition." They are part of a series of 63 papers designed to provide a comprehensive discussion of the U.S. farm and food system and related public policy issues expected to be on the agenda for the 1980's. Titles of this first installment of papers are:

1. The Farm and Food System--Major Characteristics and Trends, Alden C. Manchester.
2. What Forces Shape the Farm and Food System?, B. F. Stanton

3. Farm and Food Policy--An Overview, Ronald D. Knutson
4. Technology and Productivity Policies for the Future, W. Burt Sundquist
5. Food for People and Profit: Ethics and Capitalism, Luther Tweeten
6. Food for People and Profit: Ethics and Capitalism--An Alternative Interpretation, Harold F. Breimyer
7. Monetary and Fiscal Policy Connections to Agriculture, Dean W. Hughes and Marvin Duncan
8. Changing Attitudes toward Animal Welfare and Animal Rights: The Meaning for the U.S. Food System, Harold D. Guither and Stanley E. Curtis

The leaflets are planned for use individually or as sets by readers with specific interests and as a total collection for those seeking a general understanding of the system. Reproduction in whole or part, or adaptation for specific audience; is encouraged as long as the project and authors are properly cited.

Sponsors of this ambitious project are the Extension Committee on Policy (ECOP), USDA-Extension, Michigan State Cooperative Extension Service, and The State Cooperative Extension Services. For individual copies of the above papers or further information about this project, contact the Project Director, Jim Shaffer (other directors and editors: Vern Sorenson and Larry Libby), Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824-1039.

National Agricultural Forum Underway

The National Agricultural Forum was launched July, 1983 as an independent program of the Agriculture Council of America through which a wide range of interests could work to define feasible alternative policies on major issues confronting U.S. agriculture. Guidance for the Forum is provided by an independent body of trustees representing producers, agribusiness, and other leaders in the policy process. Alternatives will be explored in broad issue areas, such as trade policy, domestic price and income stabilization, and conservation of natural resources. Underlying the program is a recognition of the importance of the changing policy environment.

The Forum will function through identification of an issue area by the Board of Trustees, establishment of a Task Force to develop relevant background materials on the issue and to identify alternatives, and an eventual discussion of these materials at a national conference widely representing the agricultural community. Such a task force, development of a background paper, and conference for early 1984 are already underway for trade policy.

For additional information, contact Brian King, Agriculture Council of America, Suite 708, 1625 Eye Street, N.W., Washington, D.C. 20006.

Agricultural and Food Policy-1985 Farm Bill Conference Planned

The Giannini Foundation is planning a conference on the subject, "Agricultural and Food Policies in the 1985 Farm Bill," to be held in Washington, D.C., in the Spring, 1984. The main theme will be the development of agricultural and food policies which vary and are dependent on conditions in the agricultural and general economic environment. The conference will cover specific commodity issues and more general issues--resources, structure, trade, nutrition, and macroeconomic impacts.

For additional information, contact Gordon Rausser, Richard Just, or David Zilberman, Department of Agricultural and Resource Economics, U.S. Berkeley, Berkeley, CA 94720.

Readings from Symposium on Public Policy and World Food Sufficiency Planned

An anthology of readings is planned out of a symposium being organized on the subject; "Public Policy and World Food Sufficiency." This project, under the auspices of the Policy Studies Organization, headquartered at the University of Illinois, is supported financially by the Food and Agriculture Program of Resources for the Future, and edited as indicated below. Manuscripts on production, supply, distribution, technology, politics, and related topics are solicited.

Send proposals to, or request additional information from, William P. Browne, Political Science, Central Michigan University, Mt. Pleasant, MI 48859 or Don F. Hadwiger, Political Science,
Iowa State University, Ames, IA 50011.

Policy on the Agenda for American Association for the Advancement of Science Annual Meeting

At the May 26-29, 1984 annual meeting of the AAAS, in Washington, D.C., as part of the Agriculture and Food Section, a symposium will be held on the theme; "Our Knowledge Base for 1985 Agricultural and Food Policy." Speakers will include: Kenneth R. Farrell, Alex F. McCalla, Wesley B. Sundquist, Bobby H. Robinson, and R. J. Hildreth.

For further information, contact the organizer and presider, R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, Urbana, IL 61801.

North Central Extension Policy Committee Developing Basebook

A primary effort of the North Central Extension Policy Committee presently is to prepare a basebook on Resources, Food, and the Future, scheduled to be released in early 1984. The main objective of this project is to link critical resources (land, soil, water, energy, and technology) with food production and the structure of agriculture.

For further information, contact Roy Frederick, chairman of the committee, Department of Agricultural Economics, 217 H. C. Filley Hall, University of Nebraska, Lincoln, NE 68583-0922 or Dennis Henderson, Department of Agricultural Economics, Ohio State University, Columbus, OH 43210.

Videotape on World Food Policy Issues Available

This half hour videotaped program highlights the growing commitment of Third World nations to produce their own food needs and raises dramatically many of the major issues involved in achieving this goal. It suggests both some of the pitfalls of food aid and some creative uses. It sets forth the role of food strategies and suggests greater involvement of non-governmental organizations in their creation, implementation, and evaluation. The tape concludes with an interview with the Executive Director of UNICEF, urging greater citizen involvement in the world's effort to end hunger.

This program is built around a discussion by Ministers of Agriculture, officials of international action and research agencies, and representatives of major private (non-governmental) voluntary organizations. It has six parts: What is the problem? What is food security? What are some guiding principles? How can food aid be used? What are national food strategies? What can non-governmental organizations do? The program can serve as a stimulating centerpiece for discussions and workshops addressing world hunger issues.

The program was produced by Elizabeth Ann Bassan, Charles K. Mann, and Martin H. Rogol, under sponsorship of the Working Group on Food and Rural Development of the Conference of Non-Governmental Organizations in Consultative Status with ECOSOC.

Inquire about availability of this videotape from Charles K. Mann, Associate Director for Agricultural and Social Science, The Rockefeller Foundation, 1133 Avenue of the Americas, New York, NY 10036.

New Natural Resource Policy Branch in ERS

The Economic Research Service is now forming a Natural Resource Policy Branch. The purpose is to add a resource policy analysis capability comparable to that provided on the agricultural side by the Food and Agricultural Policy (FAP) Branch in the National Economics Division. In fact, the new unit will be patterned somewhat after the FAP Branch. The staff will track resource and environmental policy issues, analyze policy alternatives and consequences, and study the effects of commodity, credit, and other "non-resource" policies on the Nation's resource base.

The Resource Policy Branch is located in the Natural Resource Economics Division. While other Branches in ERS

also do policy work, the new Branch is to serve as a lightening rod for policy research, especially short-term analyses and research on issues broader than those studied by other individual Branches.

Current plans for the new Branch include completing an initial study of the consistency of USDA programs with soil and water conservation objectives and contributing to ERS policy studies in anticipation of a 1985 Farm Bill.

Neill Schaller heads the Branch. He had been Assistant Director to the Natural Resource Economics Division for two years, after serving as Director of the Department's Office of Consumer Affairs, Administrator of Extension Service in USDA, and prior to that, Associate Managing Director of the Farm Foundation.

The Branch has a policy Research Section and an Analytical Systems Section. The latter section will develop and apply data and models required for analyses conducted by the Policy Research Section. Its staff already includes several specialists in data management, programming and econometric techniques. The Policy Research Section is entirely new. The following key positions in this Section are now being established: a Section Leader (GM-14), a Project Leader (GM-13) to head the resource and environmental policy analysis work, a second Project Leader (GM-13) responsible for research dealing with the impacts on resources of agricultural and other policies, and a GM-12 economist for each of these two projects.

Position announcements should be out within the next month. Neill with be glad to give you more information about the new Branch and details on staff positions. He can be reached at the Natural Resource Policy Branch, NRED, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250 (Room 412, GHI Bldg.) phone (202) 447-8750.

POLICY RESEARCH NEWS ITEMS

Study Leads to CAST Report on Agricultural Policy

A task force of the Council for Agricultural Science and Technology (CAST) comprised of 23 members from various disciplines and directed by Luther Tweeten has completed a study and issued its report titled, The Emerging Economics of Agriculture: Review and Policy Options. (Report Number 98).

Inquire about the study from Luther Tweeten, Department of Agricultural Economics, Oklahoma State University, Stillwater, OK 74078, and order a copy of the above report (charge of $3.00) from the CAST Headquarters Office, 250 Memorial Union, Ames, IA 50011.

Structural Change in Canadian Agriculture

A study has been completed for Agriculture Canada of the policy and research implications of structural change in Canadian farming under the direction of G. L. Brinkman and T. K. Warley. The study covers much the same ground as A Time to Choose (USDA 1981). It goes beyond that report in suggesting a research agenda to provide the information that is needed to adapt public policy to the changing structure of agriculture.

Inquire about this study from T. K. Warley, School of Agricultural Economics and Extension Education, University of Guelph, Guelph, Ontario, Canada N1G 2W1 and, request a copy of Structural Change in Canadian Agriculture: A Perspective (1983), from Brian P. Perkins, Director General, Development Policy Directorate, Regional Development Branch, Agriculture Canada, Sir John Carling Building, Ottawa, Ontario K1A 0C5.

OECD's Review of Agricultural Policies Continues

Review of Agricultural Policies in OECD Member Countries 1980-82 is the fifth in a continuous series of reports commencing in 197476. It reviews and assesses the main developments that have taken place in the agricultural policies of OECD countries, with particular attention to the significance of these developments for agricultural trade. Detailed notes are included on developments over the period in the United States and Japan.

For additional information about this series, contact David L. Coutts, Directorate for Food, Agriculture, and Fisheries, and order the above (charge of $15.00) publications, Review of Agri- cultural Policies in OECD Member Countries 1980-82, from OECD Publications and information Center, Suite 1207, Pennsylvania Avenue, N.W., Washington, D.C. 20006-4582.

Kansas Governor's Group Studies Long-Term Agricultural Policy

In September 1982, Kansas Governor Carlin appointed a nonpartisan working group of farmers and agribusiness leaders to study and recommend a new approach to developing long-term agricultural policy. The group is calling for a blue ribbon commission patterned after the Social Security Reform Commission, to explore the development of a quasi-independent institution like the Federal Reserve model to establish and manage long-term agricultural policy. As chairman-elect of the National Governor's Conference, Governor Carline is in a unique position to carry this proposal to the national level.

For further information about this unique group effort and for copies of its initial report, A New Approach to Developing Agricultural Policy, (June 15, 1983, 13 page report), contact B. L. Flinchbaugh, 305A Waters Hall, Kansas State University, Manhattan, KS 66506.

How World Grain Stocks Are Managed--Implications for U.S.

This study reviews U.S. and global stockholding behavior. Do countries use stocks to absorb domestic production shocks? Or shocks from outside the country? The United States (mainly farmers), now hold most of the world's buffer stocks of grain. How does this fact impact U.S. grain policy?

Inquire about this study from Jerry Sharples, ERS/USDA, Department of Agricultural Economics, Purdue University, West LaFayette, IN 47907.

OECD Examines Food Industries in the Future

This investigation is based on a symposium organized by the Organization for Economic Cooperation and Development. It assesses changes underway in this sector and examines the role of government in promoting these industries and improving their efficiency.

For the further information about this study, contact the Organization for Economic Cooperation and Development Office of Research, and order copies of a new publication emanating from this investigation, OECD Food Industries in the 1980's, (charge of $16.00), from Matthew E. Brosius, Sales and Distribution Officer, OECD Publications and Information Center, 1750 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

Increasing Understanding Problems and Policies--1983

The proceedings of the 1983 National Public Policy Education Conference, September 12-15, 1983 at Illinois Beach Resort, Zion, will be available January 1, 1984.

Request copies of these proceedings from Farm Foundation, 1211 West 22nd Street, Oak Brook, Il 60521.

Intermediate Agricultural Policy Book

Agricultural Policy Analysis, a new book by Harold G. Halcrow, will be published by McGraw-Hill Book Company early in 1984. It covers the foundation of policy analysis, policy analysis of product markets, and policy analysis of agricultural input markets. It is designed for advanced undergraduate students in the first general course in agricultural and food policy.

Inquire about this book from Harold G. Halcrow, University of Illinois, 305 Mumford Hall, 1301 West Gregory Drive, Urbana, IL 61801.

European Community Agricultural Policy Reform Being Researched

The prospects for reforming the Common Agricultural Policy and the likely impact on agribusiness in Europe are the subject of current agricultural research at Chemical Bank. The trends of productions, consumption, and trade of major commodities are being estimated along with the effects of various proposals. Inquire about this research from Charles Riemenschneider, Chemical Bank, 380 Madison Avenus, 12th Floor, New York, NY 10017.

Resource Management Game

During the Fall and Winter, 1983-84, a team of four resource scientists from the United States, Norway, and Eastern Europe will construct a game for senior public officials. The game will be incorporated in a 2-day workshop on the design of policies that produce high yields from a region's renewable resource base without eroding its fertility. The game will use a programmable calculator for interperiod accounts and the group will offer workshops on the game, REMAN-1, to those interested in adapating it for their own use. The game will be structured so that it may be played either in the context of a market-based or a centrally-planned economy.

Inquire about this game from Dennis Meadows, Resource Policy Center, Box 8000, Dartmouth College, Hanover, NH 03755, and request a related reference, Balaton Bulletin #4, October 1983, from 58, Plainfield, NH 03781.

Impacts of PIK on Rural Economy of Iowa

This study uses budgeting techniques to estimate the total cash input reductions, and input/output techniques to estimate indirect effects.

Inquire about this study and request a copy of an initial report of the project; "Estimated Impacts of the PIK Program on Rural Economy of Iowa," from Daniel Otto, Economics Department, 568 Heady Hall, Iowa State University, Ames, IA 50011.

Long Term Impact of the U.S. Dairy Support Program in a Stochastic Environment

Based on the theory of expected utility maximization and incorporating the rational expectations view of applied policy analysis, the research focuses on the long term affect of alternative alternative price support policies. This research concludes that with lower support prices, 1) the time lag for production adjustment will be in the range of 8 to 12 years, and 2) that supply adjustments will most likely produce prices at the farm level equal to those generated by the existing price support program 1949-1978.

Inquire about this research, and request a related paper, "Price Supports, Risk Aversion and U.S. Dairy Policy: An Alternative Perspective of the Long-Term Impacts" (October 1983), from Cameron S. Thraen, Agricultural Economics Department #311A, 2120 Fyffe Road, Columbus, OH 43210.

Economic Analysis of Agricultural Structure and Policy Issues

A new research program area is being developed, the content of which is problems, issues and policies, agriculture, Colorado and the United States. The general objective of the project is "to increase understanding of the interrelated technical and economic factors causing change in the food and agricultural industry of Colorado and attendant policy issues."

Inquire about this research and request a copy of the research proposal from Warren L. Trock, Department of Agricultural and Natural Resource Economics, Colorado State University, Fort Collins, CO 80523.

Agricultural Policy Options Being Studied

This study concerns the adequacy of policy options tried over the past half century. Incremental tinkering with 1930's-style agricultural policies and mandatory controls both appear ineffective policy options. Gradual dismantling of government intrusions in agricultural seems the most rational, although not painless, way to unleash the international comparative advantage of United States agriculture.

Inquire about this study from A. Desmond O'Rourke, Department of Agricultural Economics, Washington State University, Pullman, WA 99164-6210.

U.S. Food System and Policy

An examination was made of the unique character of the U.S. and international food system as it related to public policy.

Inquire about this work, and request a copy of a related paper, from Joseph C. Purcell, Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212.

Delaware Agriculture in the 1980's: Future Direction

In observance of the 150th anniversary of the University of Delaware, the College of Agricultural Sciences held a special seminar: "Delaware Agricultural in the '80s." A comprehensive background report by G. F. Vaughn and W. T. McAllister was published, reviewing the competitive position of Delaware agriculture for each major commodity group and offering recommendations to help improve profitability. Other papers were also presented.

Inquire about this effort, and request a copy of the background report, Delaware Agriculture in the 1980's: Future Direction, Extension Bulletin 133, 1983, 110 pp., from Gerald F. Vaughn, Department of Agricultural and Food Economics, University of Delaware, Newark, DE 19711.

Rural Financial Markets: Research Issues for the 1980's

On December 9 and 10, 1982 a conference was held to discuss the research issues of the 1980's concerning rural financial markets. The conference was jointly sponsored by the Federal Reserve Bank of Chicago, the Economic Development Division, ERS/USDA, and The Farm Foundation.

To obtain a copy of the Proceedings, contact the Federal Reserve Bank of Chicago, Public Information Center, P.O. Box 834, Chicago, Il 60690.

<u>An Economic Analysis of Rural Roads and Bridges</u>

This policy-focused research in three township-type government midwest states (Illinois and two other states to be chosen in the initital stages of the project) was begun in October, 1983. Policy questions included the adequacy of the rural low volume road infrastructure to meet future service demands; problems of finance, management and institutional responsibilities; alternative financing; and institutional arrangements and service demander's willingness-to-pay.

Inquire about this study from David L. Chicoine, Department of Agricultural Economics, University of Illinois, 305 Mumford Hall, 1301 West Gregory Drive, Urbana, IL 61801.

<u>Agricultural Tenancies, Legitimacy and Rural Politics: A Comparative Perspective</u>

This study is an examination of agriculturalists' attitudes toward a range of tenurial options--both in terms of ownership of land leasing arrangements. The first part of field work has covered 570 cultivators in Rajasthan, India and plans are underway to marshal support for United States field work which will be done most likly in Kansas.

Inquire about this study from Aruna Nayyar Michie, Department of Political Science, Kansas State University, Manhattan, KS 66506.

<u>Agricultural Income Tax Policy</u>

A survey has recently been completed of Iowa and Alabama farmers regarding their views on the effects of taxation on efficiency and growth. The instrument also examines the tax cheating issue in relation to the flat-rate tax and tax simplification.

Inquire about this survey, and request copies of related papers, from Greg Hanson, Agricultural Economics and Rural Sociology, 202 Comer Hall, Auburn University, Auburn, AL 36849.

<u>Large Hedger Study</u>

Congress mandated a study to monitor and analyze large hedgers' use of live cattle, live hogs, and pork belly futures during 1983 and 1984. Reportable and largest livestock traders will be compared with their counterparts in corn, soybean, and wheat futures.

Inquire about this study from Norton Smith, Commodity Futures Trading Commission, 2033 K. Street, N.W., Washington, D.C. 20581.

Agriculture: The Triumph or the Shame --An Independent Assessment

Richard Body's book, Agriculture: The Triumph or the Shame, was the subject of a seminar in London in June, 1983. The papers were published in the report, "Agriculture: The Triumph or the Shame--An Independent Assessment," June 1983.

Inquire about this effort from C. R. W. Spedding, Department of Agriculture and Horticulture, University of Reading, Earley Gate, Reading, RG6 2AT, or order a copy o of the above report charge of five English pound sterling) from the Centre for Agricultural Strategy, University of Reading, at above address.

Policy On Irrigation Pricing

The Public Service Commission of Utah has ordered new load control and time-of-day pricing options for irrigation pumpers. The new rates will save irrigators 20 to 25 percent on average, with some as much as 50 percent. This order is based entirely on cost savings to the utility. It culminates several years of work in developing the new rate philosophy.

Inquire about this work from Jay C. Anderson, Economics Department, UMC 35, Utah State University, Logan, UT 84322.

Development Center Releases Publications on Transportation Deregulation and Agriculture

The Western Rural Development Center, Oregon State University Corvallis, OR 97331, has available (50¢ per report, $4 for a complete set, or reduced cost for quantities) the publications listed below, all dealing with issues about transportation deregulation and agriculture.

1. The Staggers Rail Act: Provisions Important to Agricultural Shippers and Receivers (Stanley K. Seaver. WRDC 16)
2. Contracting for Railroad Freight Service (Marc A. Johnson and L. Orlo Sorenson. WRDC 17)
3. The Staggers Rail Act: Impact on Rate Structures and Services (Gene C. Griffin. WRDC 18)
4. Railroad Deregulation: Impact on Grain Shippers (C. Phillip Baumel. WRDC 19)
5. Planning Transportation Services for Rural Communities (James C. Cornelius and Kenneth L. Casavant. WRDC 20)
6. Rail Users Associations: A Means to Branchline Viability (James D. Shaffer and J. Michael Patrick. WRDC 21)
7. Commodity Exemptions and Relaxed Market Entry: New Opportunities for Motor Carrier Backhauls (Marc A. Johnson and Gene C. Griffin. WRDC 22)
8. Freight Regulatory Reform: Policy Issues After 1980 (James D. Shaffer and C. Phillip Baumel. WRDC 23)

THREE DIMENSIONS OF U.S. AGRICULTURAL POLICY

by Kenneth R. Farrell and C. Ford Runge*

Future agricultural policies should be developed within a frame work that explicitly recognizes both the complementarities and the conflicts among three dimensions of agricultural policy-farm policy, food policy, and foreign policy. These three dimensions in turn are significantly affected by the imperatives of the national and international economies with which U.S. agriculture is inextricably linked and the restraints on future federal government expenditures that are required if burgeoning budget deficits are to be controlled. Agricultural policy that is narrowly drawn to promote the interest of any one group without recognizing the interdependencies of the 1980s is likely to prove unattainable or untenable.

The Policy Setting

U.S. agricultural policy is no longer the province of a self contained set of congressional committees, USDA policymakers, and farm interests. It is increasingly linked, not only to the nonfarm domestic economy, but to world markets and international political forces. A clear understanding of these links is essential for the development of stable, long-term agricultural policies.

Traditionally, farm legislation involved the interplay of well defined groups of farmers and consumers seeking to accommodate demands for high farm prices on the one hand and for low food costs on the other. Although difficult to negotiate, this legislation was possible during the past decade when increases in American agricultural output and rapidly expanding export markets were the norm. These circumstances made it possible simultaneously to improve farm income, maintain food prices at low levels relative to consumers' disposable income, enlarge the positive balance of agricultural trade, and keep Treasury outlays for farm programs low--a "positive sum" game in which some reward was possible for everyone.

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*Director, Food and Agricultural Policy Program, Resources for the Future, Washington, D.C. and Assistant Professor, Agricultural and Applied Economics and Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, St. Paul, Minn., respectively. Adapted from a statement before the Joint Economic Committee, Congress of the United States, June 8, 1983. The views expressed are soley those of the authors and in no way constitute a statement of policy of their respective organizations.

In the past two years, however, farm output has continued to expand while recession-riddled demand, particularly export demand, has contracted. Farm prices and incomes have declined and food prices have increased slightly. Costs of farm programs have ballooned to an estimated $22 billion in the current fiscal year, compared with $3-4 billion per year in the 1970s. The prospects of unprecedented future fiscal imbalance make policy tradeoffs among farmers, consumers, and taxpayers more of a "zero-sum" game in which fighting for a shrinking pie means that the gains of one are the losses to another. These trends have made agricultural policy increasingly difficult to negotiate.[1]

The scope of agricultural policy also has widened in the international arena. As G. Edward Schuh has recently noted, the impact of international economic conditions on agriculture has increased as American farmers have come to rely more and more on export markets to supplement domestic demand.[2] Tied as it is to the world economy, American agriculture has become increasingly sensitive to fluctuations in the dollar and changes in foreign agricultural supply/demand conditions. An overvalued dollar, accompanied by target and loan rates set with the effect of encouraging domestic and foreign production, has made American exports harder to promote and at the same time has raised incentives for other nations to enter the markets in which America should exercise a comparative advantage. Meanwhile, U.S. budget deficits continue to put pressure on domestic interest rates, attracting foreign capital and further overvaluing the dollar. Hence agricultural policy is now joined to a wide range of international economic issues.

Another factor widening the scope of agricultural policy is its link to foreign policy. The 1980 grain embargo, declared as a reaction to the Soviet invasion of Afghanistan, was the fifth agricultural trade ban in 10 years. In the past decade, increasing reliance upon markets in the centrally planned countries, particularly the Soviet Union, has meant that American agriculture is increasingly tied to foreign policy. The recently concluded long term grain agreement with the USSR and expansion of U.S. food aid commitments to Central America are further evidence of the link between of farm policy and foreign policy.

1/C. L. Infanger, W.C. Bailey and D. R. Dyer, "Agricultural Policy in Austerity: The Making of the 1981 Farm Bill," American Journal of Agricultural Economics, 65 (1983), pp. 1-9.

2/G. Edward Schuh, "U.S. Agricultural Policy in an Open World Economy," Testimony presented before the Joint Economic Committee of the U.S. Congress, May 26, 1983, Washington, D.C.

The Triangle of Interests

In short, agricultural policy is not just farm policy; it is also food policy and foreign policy. Food, farm, and foreign policy agendas come together in agricultural policy to create a triangle of interests which are sometimes complementary, but often conflicting. Each of these dimensions has well-established clients, some of whom agree but most of whom disagree about the direction agricultural legislation should take. Farmers and farm interest groups in general argue for higher producer prices and income and expanded exports, financed, if necessary, by taxpayers through the loan program, target prices, or credit subsidies to foreign buyers. Agricultural policy is farm policy to them. Consumers and nonfarm interests (together with a growing group of farm policymakers themselves) question the increasing costs of these programs. Consumer groups focus on the impact of agriculture on the domestic food economy, insisting on the need for continued low real prices. Drawing attention to the many structural issues in American agriculture, these groups also question the efficiency and equity of current programs. These are the food policy advocates. Finally, foreign policymakers and advocates of agricultural development assistance express a different set of priorities. To many foreign policymakers, agriculture is a "bargaining chip" and sometimes a "weapon" to be used in the latest diplomatic exchange or ideological skirmish.

The triangle of interests defining the three dimensions of agricultural policy creates the central dilemma for 1985 farm legislation and beyond. Conflicting objectives, coupled with the necessity of fiscal constraints, magnify the problem of constructing coherent legislation. Yet there is no escape from these multiple objectives and conflicts. Food, farm, and foreign interests form the basis on which future agricultural policy must succeed or fail. One thing is certain; we cannot return to the days when agricultural policy was only farm policy.

Some Cases in Point

Several cases may help to illustrate the relationship among these components of agricultural policy and the problems posed by their competing objectives. The 1980 grain embargo provides a troubling example of how foreign policy experts' use of the "food weapon" temporarily captured agricultural policy from both farm and food interests. A recent report by the Office of Technology Assessment concludes that such embargoes may have damaged U.S. agriculture both directly and indirectly, without appreciably influencing Soviet behavior in Afghanistan or Poland.[3] In addition, the sanctions appear to have diversified supply sources for Soviet imports, possibly reducing demand for future U.S. exports.

3/Office of Technology Assessment, Technology and East-West Trade: An Update, Washington, D.C, May, 1983.

In response to these trade sanctions, farm interests succeeded in introducing the "embargo provisions" of the 1981 farm bill. In the event of future selective embargoes, these provisions call for compensation to farmers involving a loan rate equal to 100 percent of parity and/or direct payments to producers equal to the differences between parity and the price of the embargoed commodities. The provisions shift the burden of selective embargoes from farm interests to the U.S. Treasury, and make them prohibitively expensive especially in periods of budget deficit. Although it is understandable as a farm policy response to trade sanctions, we do not think this type of burden shifting addresses the underlying objectives of agricultural policy.

A second case in point is the problem of farmer-owned reserves. Rather than serving the broader objective of agricultural price stability, the reserve program has been managed so that it serves mainly as an extension of farm commodity price policies generating greater uncertainty overall. The question is whether it is good agricultural policy to use reserves to pursue only farm policy. Burdensome supplies in 1981 and 1982 could have been adjusted through acreage reduction, expansion of U.S. commitments to the multilateral food reserve, and major use of P.L. 480 authority. Instead, commodities were enticed into the farmer-owned reserve by highly favorable loan and storage payments, creating a reserve of unmanageable size and intolerable cost to the U.S. Treasury. This instability led to PIK and withdrawal of some 80 million acres of cropland in 1983. To the extent that PIK raises farm commodity prices, it is in conflict with both consumer and foreign trade objectives. The potential costs of 1983-84 programs, including PIK, could well jeopardize the credibility to taxpayers of all future farm commodity programs, however well conceived.

A Closer Look at Consumer Interests in Agricultural Policy

The foregoing examples drawn from experiences of the past few years dramatize conflicts in the triangle of interests. But there also are complementary interests. The question is: How can these areas of complementarity be identified and expanded? There are two ways in which complementarity can be advanced. One is to raise the expected returns from the agricultural sector to all of the interests: farmers, consumers, and foreign policy interests. This may be difficult to achieve in the 1980s for reasons already alluded to. A second, more feasible, way to promote complementarity is to reduce the uncertainty which the interests face together and which each creates for the others.

[Insert between Pp. 16 - 17.]

For example, a dependable, ample supply of food to serve the interests of consumers requires a viable, profitable, and progressive farm sector, which in turn requires access to foreign markets and vibrant foreign trade conducted in a stable diplomatic environment. In balancing those interests, consumers and taxpayers have every right to insist upon farm policies which are forward-looking, adaptable, equitable, and responsive to consumer needs. At the very least, consumers should expect farm policies that are not in themselves sources of instability and that do not distort the adjustment of agriculture to changing domestic and global needs for food and fiber.

The difficulty of developing and administering agricultural policy to serve multiple objectives can be reduced everywhere if the uncertainty and instability--including political and diplomatic instability-that attend globally interdependent food and fiber systems of the 1980s can be minimized. Policies and policy instruments must be designed to be sufficiently flexible to cope with instability. Although there is widespread disagreement on the specifics of such policies within and among the triangle of interests, some general elements of those policies can be identified.

One element is that of commodity reserves. Most analysts agree that the private sector by itself is unlikely to carry enough interseasonal commodity stocks to offset swings in production as large as those that have occurred in recent decades as a result of global variations in weather patterns. Public intervention to create more than "pipeline" stocks is acceptable in principle to most interest groups. The size, ownership, and management rules for an appropriate stock policy are matters of widespread disagreement and deserve much further study in advance of the 1985 farm bill. As noted earlier, the objectives of stock policy need to be clearly differentiated. Greater emphasis and more disciplined management should be directed toward price stability as distinct from solely producer price enhancement.

Currently, the United States carries a large share of the world's food reserves. The globally interdependent food system means we should continue to strive for coordinated multilateral reserve policies despite limited success in the past. It is in the longrun interest of both U.S. foreign and economic policies to participate, perhaps

even expand our participation, in the so-called International Emergency Food Reserve. The initiatives taken under auspices of the U.N. Food Council to strengthen world food security and the International Monetary Fund facilities for financing cereal imports in the low-income developing countries deserve serious consideration for the same reasons. [4]

Instability in world food markets derives from more than natural phenomena. Professor Schuh has argued persuasively that international monetary policies, particularly the stop-and-go monetary policies of the United States, have been major sources of instability in farm prices in the past decade. [5] Likewise, farm policies themselves here and abroad have created additional instability by distorting adjustments required by markets or by encouraging actions by farmers which turned out to be costly and unwise. Removing or reducing these sources of instability is fully as important as the development of adequate reserves policies to mitigate weather-related disturbances.

Some of the basic principles required for an agricultural policy adaptable to the needs of an uncertain, unstable world food economy are embedded in the Agriculture and Food Act of 1981. In general, that legislation provides substantial discretion to the Secretary of Agriculture to adjust programs to market shortages or surpluses. However, the legislation is not without some serious limitations. We refer particularly to provisions which have forced target prices out of alignment with current economic realities. This is an inflexible and costly response to uncertainty. The dairy program provisions of the Act delay needed adjustments in the interests of consumers, taxpayers, and in the long-run, dairy producers themselves. Other distortions, such as loan rates which reduce U.S. competitiveness in world markets, derive not so much from the legislation itself as from the administration's choice of policy instruments and executive branch program decisions. The executive branch and the Congress must resist the temptation to consider only one dimension of agricultural policy at a time.

We have emphasized consumer interests in relation to the price and stability of food supplies. However, food policy has other important dimensions: nutritional adequacy, food safety and quality, for example. About 65 percent of the retail costs of food are associated with

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4/Committee on World Food Security, Director General's Report on World Food Security: A Reappraisal of the Concepts and Approaches, Eighth Session, Rome, April 13-20, 1983.

5/Schuh, op. cit.

costs and profits in moving food from farmers to consumer. Thus, consumers also have an interest in policies which maintain competitiveness in the food marketing system and in a progressive, pluralistic food system which provides access to a wide variety of choices. These elements of food policy and the role of public food assistance programs for low income and nutritionally vulnerable persons also must be incorporated in a balanced agricultural policy.

The Need for Institutional Innovation

By clearly recognizing the three dimensions of agricultural policy, existing institutions can improve their capacity to weigh competing objectives and identify areas of complementarity. The fact that the Joint Economic Committee has held extensive hearings is itself evidence of the recognized need for broad inquiry into the several dimensions of policymaking in agriculture. If the farm, food, and foreign policy links of agriculture are fully treated in these and future hearings, we suspect that virtually all of the members of Congress will come to recognize that their constituents will be directly affected by the outcome of future agricultural legislation. But further, more permanent changes may be needed.

Presidential Review

Because of the many links discussed here, there is merit to proposals calling on the President to draw together representatives from USDA, Treasury, State, AID, Interior, and the National Security Council to clarify agricultural policy objectives and develop long range strategic policy goals.[6] This kind of consultation has occurred before, but usually on the occasion of some policy crisis and not for purposes of longer range objectives. Such a statement of objectives and goals could then be placed before the Congress and the public at large for discussion and refinement. Unanimity among the triangle of interests should not be expected. However, such an "indicative plan" might serve the purpose of constructively channeling future public discussion and debate concerning agricultural policy.

Agricultural Policy Review

Another innovation might be the establishment of an annual or semiannual agricultural policy review process in the executive branch perhaps under coordination of the Council of Economic Advisers. The review might include an analysis of current and prospective economic conditions in U.S. and world agriculture, provisional program plans of the executive branch six months or one year into the future in keeping with legislative requirements, and presentation of views and program recommendations by a cross-section

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6/R. F. Hopkins, "Food Policy Making," in Food Policy and Farm Program, D. F. Hadwiger and Ross B. Talbot eds. (New York, Academy of Political Science, 1982).

of nongovernment organizations representing the triangle of interests in agricultural policy. The review would not bind the executive branch to particular program decisions; information presented would be input to letter final decisions. Such a process might serve several objectives: to induce more effective planning and analysis in the executive branch; to force program decision making into a broader public participation context; to provide for clearer articulation of conflicts and complementarities among the triangle of interests; and to encourage broader consensus among conflicting interest groups on program issues.

Cabinet Council on Agricultural Policy

A more radical innovation would be to create a permanent cabinet level council similar in concept to the Council on Environmental Quality, with the purpose of drawing together the many agencies involved in agricultural policy and providing authoritative analysis and policy leadership.

A variety of institutional innovations will be necesssary to bring the three dimensions of agricultural policy into accord. [7] We hope these ideas will stimulate further suggestions for reform within and between the multiple interests which we have discussed.

7/Since preparation of this statement commenced, Don Paarlberg, in a paper presented at the annual meeting of the American Agricultural Economics Association, Purdue University, August 1-3, 1983, has suggested establishment of a blue-ribbon Presidential commission to develop agricultural policy recommendations.

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AGRICULTURE-FOOD POLICY DECISIONS UPDATE

by R. Thomas Fulton*

Table 1--Commodity Program Levels

Commodity	1981	1982	1983	1984
Wheat				
Target price ($ per bu.)	3.81	1/4.05	1/4.30	1/4.45
Loan level ($ per bu.)	3.20	1/3.55	1/3.65	1/3.30
Reserve loan level ($ per bu.)	3.50	4.00	1/3.65	1/3.30
Reserve release level ($ per bu.)	2/3/4.48	4.65	--	--
Reserve call level ($ per bu.)	4/5/5.60	--	--	--
Acreage reduction (percent)	--	15	15	30
Paid land diversion (percent)	--	--	5	--
Payment-in-kind (percent)	--	--	6/10-30	13/10-20
Nat'l program acreage (mil. acres)	84.5	7/	7/	7/
Corn				
Target price ($ per bu.)	2.40	1/2.70	1/2.86	1/3.03
Loan level ($ per bu.)	2.40	1/2.55	1/2.65	1/2.55
Reserve loan level ($ per bu.)	2.55	2.90	1/2.65	1/2.55
Reserve release level ($ per bu.)	8/3.00	3.25	--	--
Reserve call level ($ per bu.)	5/9/3.48	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l program acreage (mil. Acres)	80.5	7/	7/	7/
Grain Sorghum				
Target price ($ per bu.)	2.55	2.60	2.72	2.88
Loan level ($ per bu.)	2.28	2.42	2.52	2.42
Reserve loan level ($ per bu.)	2.42	2.75	2.52	2.42
Reserve release level ($ per bu.)	8/2.85	3.10	--	--
Reserve call level ($ per bu.)	5/3.31	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l program acreage (mil. acres)	14.3	7/	7/	7/
Barley				
Target price ($ per bu.)	2.60	2.60	2.60	2.60
Loan level ($ per bu.)	1.95	2.08	2.16	2.08
Reserve loan level ($ per bu.)	2.07	2.37	2.16	2.08
Reserve release level ($ per bu.)	8/2.44	2.65	--	--
Reserve call level ($ per bu.)	5/2.83	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Nat'l program acreage (mil. acres)	10.2	7/	7/	7/

Continued--

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Table 1--Commodity Program Levels--Continued

Commodity	1981	1982	1983	1984
Oats				
Target price ($ per bu.)	--	1.50	1.60	1.60
Loan level ($ per bu.)	1.24	1.31	1.36	1.31
Reserve loan level ($ per bu.)	1.31	1.49	1.36	1.31
Reserve release level ($ per bu.)	1.55	1.65	--	--
Reserve call level ($ per bu.)	5/1.80	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Rye				
Loan level ($ per bu.)	2.04	2.17	2.25	2.17
Soybeans				
Loan level ($ per bu.)	5.02	5.02	5.02	5.02
Upland Cotton				
Target price (cents per lb.)	70.87	1/71.00	1/76.00	1/81.00
Loan level (cents per lb.) 11/	52.46	57.08	1/55.00	1/55.00
Acreage reduction (percent)	--	15	20	25
Paid land diversion (percent)	--	--	5	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l program acreage (mil. acres)	12.8	7/	7/	7/
Extra Long Staple (ELS) Cotton				
Target price (cents per lb.)	--	--	--	99.00
Loan level (cents per lb.)	99.00	99.89	96.25	82.50
Nat'l marketing quota (1,000 bales)	195	157	102	--
Nat'l acreage allotment (1,000 bales)	150.2	120.2	80.1	--
Rice				
Target price ($ per cwt)	11/10.86	1/10.85	1/11.40	1/11.90
Loan level ($ per cwt)	8.01	8.14	8.14	N.R.
Acreage reduction (percent)	--	15	15	N.R.
Paid land diversion (percent)	--	--	5	N.R.
Payment-in-kind (percent)	--	--	6/10-30	N.R.
National allotment (mil. acres) 1/	1.8	--	--	--
Flue-cured Tobacco				
Loan level (cents per lb.) 11/	158.7	169.9	169.9	169.9
Effective marketing quota (mil. lbs.)	1,112	979	892	N.R.
Burley Tobacco				
Loan level (cents per lb.) 11/	163.6	175.1	175.1	N.R.
Effective marketing quota (mil. lbs.)	869	789	677	N.R.
Peanuts				
Loan level, quota ($ per ton) 1/	455	550	550	N.R.
Loan level, non-quota ($ per ton)	250	200	185	N.R.
Marketing poundage quota (1,000 tons)1/	1,440	12/1,200	12/1,167	12/1,135
Acreage allotment (1,000 acres)	1,734	--	--	--

Table 1--Commodity Program Levels--Continued

Commodity	1981	1982	1983	1984
Wool				
Support level (cents per lb.) 11/	135	137	153	N.R.
Mohair				
Support level (cents per lb.) 11/	371.8	397.7	462.7	N.R.
Sugar				
Loan level for raw cane (cents per lb.)	--	1/17.00	17.50	N.R.
Loan level for refined beet (cents per lb.)	--	20.15	20.86	N.R.
Honey				
Loan level (cents per lb.)	57.4	60.4	62.2	N.R.

N.R. = Not Released.

1/ Minimum allowed by law.

2/ The release level for wheat is 140 percent of the loan level. Farmers with contracts specifying 150 percent of the loan level, per the January 1980 announcement, may have used a release level of $4.80 per bushel for wheat in 1981, or converted their contracts to the 140 percent provision.

3/ The release level for wheat entered into the reserve after July 23, 1981, was set at $4.65 per bushel.

4/ The call level for wheat is 175 percent of the loan level. Farmers with contracts specifying 185 percent of the loan level, may have used a level of $5.92 per bushel in 1981, or converted their contracts to the 175 percent provision.

5/ On July 24, 1981, the Secretary stated the call level trigger would be used only under an "extreme emergency." This effectively negated call level provisions.

6/ Producers could choose any level of participation from 10 to 30 percent, inclusive. Producers also had the option of submitting bids to remove their entire crop-specific acreage base from production, this feature was not continued in the 1984 PIK.

7/ Not necessary when an acreage reduction program is in effect.

8/ Feed grains entered into the reserve after October 6, 1981, had the following release levels: corn--$3.15 per bushel; barley--$2.55 per bushel; and sorghum--$3.00 per bushel.

9/ The call level for corn is 145 percent of the loan level. Farmers with contracts specifying 140 percent of the loan level may have used a call level of $3.36 per bushel in 1981 or converted their contracts to the 145 percent provision.

10/ There are two established bases for the 1982-1984 acreage reduction programs for feed grains: one for corn and sorghum; the other for barley and oats.

11/ Determined by statutory formula.

12/ The marketing quota was suspended by the 1981 farm bill, but the poundage quota was retained.

13/ Producers could choose any level of participation from 10-20 percent, inclusive.

Grain and Cotton Programs

1984 Wheat Program.--On August 9, Deputy Secretary Richard Lung announced provisions of the 1984 wheat program and set the signup period for January 16 through February 24, 1984. The program includes: a $4.45 per bushel target price, a $3.30 per bushel national average loan rate, an acreage reduction requirment of 30 percent, and no advance deficiency payments.

To be eligible for program benefits, producers must limit 1984 planted acreage to no more than 70 percent of their wheat base and devote to conservation use an acreage of eligible cropland equal to 42.86 percent of the 1984 planted and Payment-in-Kind (PIK) acreage. The 1984 acreage base will be the average of the acreage planted and considered planted to wheat in 1982 and 1983.

Farmers participating in the acreage reduction program may divert an additional 10 to 20 percent of their wheat base and receive payment-in-kind equal to 75 percent of the established yield times the acreage diverted. PIK program participants will not receive wheat from Commodity Credit Corporation (CCC) stocks. Producers signing up in the PIK program agree first to use their outstanding reserve or regular CCC price support loans. Those with no outstanding loans then agree to harvest for PIK. Growers with no outstanding loans and who are unable to harvest for PIK receive no PIK payment.

Land designated for conservation use must have been devoted to row crops or small grains in two of the past three years except for a summer fallow farm. Haying is not permitted on the conservation use acreage. However, the acreage may be grazed except during the six principal growing months. Offsetting and cross compliance again will not apply.

There will be no immediate entry into the farmer-owned reserve. Further, USDA intends to review the size of the reserve before regular price support loans for the 1984 crop reach maturity. A ceiling may be placed on the size of the wheat reserve at that time which will effectively preclude entry of the 1984 crop into the reserve.

An additional feature, utilized in the 1983 PIK program, states that contracts signed by program participants for either the acreage reduction or PIK program will be considered as binding and will provide for liquidated damages for failure to comply with program requirements.

1983 Wheat Program.--On May 5, USDA announced that it would accept offers from wheat producers to make available

their 1983 crop production for PIK purposes, since CCC did not have sufficient quantities of wheat in inventory for PIK payments. The offers were to be accepted from only those farmers who had no wheat or insufficient quantities of wheat pledged as collateral. This offer was made through May 27. On June 8, Secretary Block announced that it would be necessary to require wheat producers who did not have sufficient quantities of wheat pledged as price support loan collateral to meet their PIK requirements by obtaining loans on their 1983-crop production. The USDA had decided to exercise an option in the PIK contracts after determining that an insufficient quantity of wheat was available to CCC to meet PIK needs. The producer was able to obtain the loan, redeem the loan collateral and sell it to CCC. The producer was then eligible to receive the proceeds of the sale of the wheat to CCC until their PIK availability date.

Arkan Wheat.--On September 13, USDA announced that it would probably classify the hybrid wheat "Arkan" as a soft red winter wheat or mixed wheat rather than hard red winter wheat. Arkan, a cross between Sage, a hard red winter wheat, and Arthur, a soft red winter wheat, was released earlier this year by the Kansas State Agricultural Experiment Station as a hard red winter wheat.

1984 Feed Grains Program.--On September 29, Secretary Block announced a 10 percent acreage reduction for "acreage conservation reserve purposes" for the 1984 feed grains program. Program signup will be January 16 through February 24, 1984, the same as for the 1984 wheat program. The 1984 provisions include; regular CCC price support loan and purchase rates per bushel for corn, $2.55; sorghum, $2.42; barley, $2.08; oats, $1.13; and rye, $2.17. To be eligible for price support benefits, a producer must agree to limit corn, sorghum, oats and barley acreage planted for harvest to not more than 90 percent of the farm's feed grain base and devote to an acreage conservation reserve an acreage of eligible cropland equal to 11.11 percent of the 1984 planted acreage. As under the 1983 program, two bases will be established, one for corn and sorghum and the other for barley and oats. The 1984 acreage base will be the average of the acreage planted and considered planted to feed grains in 1982 and 1983.

Land designated for acreage conservation reserve use must have been devoted to row crops or small grains in two of the last three years except for a summer fallow farm. This land must also be protected from wind and water erosion throughout the year. Offsetting and cross compliance will not apply in 1984.

There will be no advance deficiency payments, and haying will not be permitted on the conservation use acreage. However, the acreage may be grazed except during the six prinicipal growing months. As in the 1983 program, waxy corn will be included, but not popcorn or sweet corn. Malting barley will not be exempted from the program.

As in the 1984 wheat program there will be no immediate entry in the farmer-owned reserve for the 1984 feed grain crops. Further the USDA intends to review the size of the reserve before regular price support loans for the 1984 crops reach maturity. A ceiling may be placed on the size of the feed grain reserve at that time which will effectively preclude entry of the 1984 crops in the reserve. Any 1984 feed grains entering the reserve will be at the same loan rates as for regular CCC loans. And, contracts signed by program participants will be considered as binding and will provide for liquid-dated damages for failure to comply with program requirements.

Farmer-Owned Reserves IV and V for Corn Released.--USDA announced the release of Reserve IV on July 15 (for corn placed in reserve between October 6, 1981 and July 1, 1982), because the national average price received by farmers for corn had reached the $3.15 per bushel release level. Similarly, on July 26, corn in the Farmer-Owned Reserve V (corn placed in reserve after July 1, 1982), was placed in release status as a result of the national average price received by farmers reaching $3.25 per bushel. Storage payments for reserve corn stopped on August 31, with interest beginning on all loans on September 1.

Farmer-Owned Reserve IV Grain Sorghum Released.--Grain sorghum placed in the FOR from October 6, 1981 through June 30, 1982 was released for redemption on August 3, because the national average price received by farmers for sorghum had reached the $5.36 per cwt. release level.

On September 27, following a review of sorghum standards, USDA adopted a final rule permitting more white-colored sorghum to be classed as "white." The regulation makes the definition of the class "white sorghum" less restrictive by permitting white-colored sorghum with dark spots covering 25 percent of less of the kernel to be considered white sorghum.

Rice Standards.--USDA on June 2 adopted a final rule amending the definitions of milled rice and coated milled rice. The amended definition of milled rice deletes the requirement that a portion of the germ be removed. The amended definition for coated milled rice allows the use of safe and suitable coating agents other that glucose and talc.

PIK Rice.--Rice producers in States where there was an insufficent quantity of CCC-owned rice to satisfy 1983 PIK entitlements were to be provided CCC-owned rice stored in other States USDA announced on July 25. After all of CCC's inventory in the State where the PIK was earned was distributed, some producers in Florida, Louisiana and Mississippi were to receive their PIK from CCCowned rice located in Arkansas, and some producers in Texas receiving their PIK payment from CCC-owned rice stored in California.

County Loan & Purchase Rates for 1983-Crop Barley, Oats & Rye.-- On June 29, USDA based the county loan and purchase rates for barley grading Number 2 or better on the national average loan and purchase rate of $2.16 per bushel, 8 cents above the 1982 level. The rates for oats grading Number 3 are based on the national average loan and purchase rate of $1.36 per bushel, 5 cents above the 1982 rate. The rates for rye grading Number 2 or better, or Number 3 on the factor of test weight only, are based on the national average loan and purchase rate of $2.25 per bushel, 8 cents above the 1982 rate.

1984 Cotton Program.--As a result of the Extra Long Staple Cotton Act of 1983, extra long staple (ELS) cotton has, for the first time, been made similar to USDA's upland cotton program. The two programs, announced October 28, include a 25 percent acreage reduction for upland cotton and a 10 percent acreage reduction of ELS cotton. Signup is slated for January 16 to Febuary 24, the same as for wheat, and feed grains.

Producers must, to be eligible for price support benefits, limit their upland cotton planted acreage to not more than 75 percent of their upland cotton acreage base. An acreage of cropland equal to 33.33 percent of the upland cotton planted acreage must be turned to approve conservation uses. Producers of ELS cotton, on the other hand, must agree to limit ELS planted acreage to not more than 90 percent of their acreage base. For ELS cotton producers an acreage of cropland equal to 11.11 percent of the ELS cotton planted acreage must be devoted to approved conservation uses.

The 1984 loan rate for ELS cotton will be 82.5 cents per pound, with a target price of 99 cents per pound. The loan rate will be 55 cents per pound for strict low middling 1-1/16 inch, micronaire 3.5-4.9 upland cotton, with a target price of 81 cents per pound.

Acreage bases for the two cotton programs will be the average of the acres planted and prevented from being planted in 1980-1982 for ELS cotton and 1982-1983 for upland cotton. An acreage base reserve equal to five

percent of the total acreage base will be established for ELS cotton to correct inequities, prevent hardship, and for establishing bases for farms on which no ELS cotton was planted during 1980-1983.

Remaining provisions of the two programs are identical and include the fact that offsetting and cross compliance not apply, that there are not advance deficiency payments, and that land designated to conservation use must have been devoted to row crops or small grains in two of the last three years, except for summer fallow farms. In the case of summer fallow, the program requires that conservation use acreage must be land that would have been to small grains or row crops in 1984 in the absence of the cotton programs. In each case, the land must be protected against wind and water erosion throughout the year.

Additionally, both programs offer recourse loans for seed cotton in 1984. Meaning the borrower must repay the full dollar amount of the loan plus accrued interest. The loan rate for seed cotton will be the same as the loan rate applicable to lint cotton adjusted to a lint basis. And, as with the wheat and feed grains programs, contracts signed by program participants will be considered binding and will provide for liquidated damages in cases of failure to comply with program provisions.

1982-Crop Upland Cotton.--On May 26, USDA extended for one week, until June 2, the period during which farmers could offer their upland cotton to the Government for use in the PIK program. The USDA explained that uncertain weather conditions, planting activities and the short offer period combined to reduce farmers' opportunities to study options and submit bids. On June 2 that date was extended an additional two weeks until June 16.

On August 8, USDA began offering to acquire 1980, 1981 and 1982-crop upland cotton from farmers having cotton pledged as collateral for outstanding CCC price support loans. The new program, authorized by recent legislation, allows CCC to acquire cotton to fullfill obligations under PIK. On August 31, USDA announced that its purchase program had not returned enough cotton to CCC to meet PIK obligations. As a result, all producers eligible to receive PIK cotton were required to "Harvest for PIK," that is, obtain loans on their 1983 production to satisfy 40 percent of their PIK needs. The remaining 60 percent come from CCC stocks.

Cotton Classing Service User Fees Increased.--On July 5, USDA issued an interim final rule increasing user fees for cotton classing services for cotton producers to $1.15 per bale for the 1983 season beginning July 1.

Formerly the fee was 67 cents per bale. The rule also provides for an additional fee of 45 cents per bale for optional high volume instrument classing. And, a discount of 5 cents per bale where fees are centrally billed and collected through voluntary agents. Approximately 90 percent of the fees currently are collected in this manner. Additional, on September 27, USDA announced that it was increasing by about 4 percent the fees it charges for cotton futures classing, cotton linters grading and related services, and the supervision of cottonseed grading.

USDA, on August 2, established trial standards for American Upland cotton that provide a "Strict Good Ordinary Spotted" physical standard and a "Strict Good Ordinary Light Spotted" descriptive standard which provide a more accurate description of certain cotton now classified "Below Grade."

PIK Loan Settlement, Availability Dates.--On July 25, USDA announced that CCC would allow producers who would have been required to obtain or liquidate a loan for PIK purposes this year to extend both the date for doing so and their PIK availability date to January 16, only for those farmers whose availability date begins August 1 or earlier and who requested the extension.

Emergency Grazing of Conservation Use Acreage.--The USDA on August 9 issued special provisions allowing producers in some drought affected counties to graze their livestock on their own conservation use acreage. Approval was to be made on a county-by-county basis and are restricted to livestock owned by the producer as of August 1.

Crop Insurance.--On June 8, USDA announced that popcorn had been added to the list of experimental crop insurance programs at FCIC. The pilot program is for popcorn grown in Illinois, Indiana, Iowa, and Nebraska for the 1984-crop year. In addition, on June 8, USDA announced that FCIC had added flax, dry beans, rye and sunflowers to the "individual yield coverage plan," a special insurance plan that individualizes crop insurance policies based on farm performance. Crops already included are; corn, wheat, cotton, rice, grain sorghum, barley and soybeans.

On September 14, FCIC announced that it would again support the PIK program in 1984 by offering higher yield guarantees on insured wheat. If an insured farmer participates in USDA's acreage reduction program at the minimum 30 percent, the USDA crop insurance agency will automatically increase the yield guarantee by 6 percent.

If the farmer puts 30 percent of the acreage into an acreage reduction program, plus 10 percent into PIK, he/she will get an 8 percent yield guarantee. If the farmer places 20 percent of the coverage into PIK, the yield guarantee increases by 10 percent.

Grain Inspection.--Effective November 1, USDA adopted a rule allowing grain inspectors the flexibility to perform odor tests either before or after grain samples are mechanically cleaned. The rule affects wheat, corn, barley, rye, sorghum, flaxseed and triticale.

Oilseeds and Tobacco

Soybean Loan & Purchase Rate.--The final loan and purchase rate for 1983-crop soybeans is $5.02 per bushel the minimum permitted by law the USDA announced on September 30.

County Loan & Purchase Rates for 1983-Crop Soybeans.--Changes in area-to-area relationships, prices received by farmers, trends in production, and results of the loan and purchase program resulted on October 4, in the following adjustments from 1982 rates: Lousiana and South Carolina were increased 3 cents per bushel; Kentucky, Maryland, North Carolina, and Virginia increased 2 cents per bushel; Montana decreased 4 cents per bushel; Colorado, Minnesota, North and South Dakota, Texas and Wisconsin decreased 3 cents per bushel; New Mexico and Nebraska decreased 2 cents per bushel; Arizona decreased 1 cent per bushel. No changes were made in the discount schedule, but low moisture premiums were discounted for 1983 soybean loan rates to be in line with current market practices.

Peanut Support level.--The USDA on August 8 adjusted price support levels--by type, quality and location--for the 1983 peanut crop based on the announced national levels of $550 per short ton for quota peanuts and $185 per ton for additional peanuts. The quota support level by type, for an average grade ton of 1983-crop peanuts will be: $544.71 for Virginia-type peanuts; $553.77 for runner-type peanuts; $528.86 for Spanishtype peanuts; $544.71 for Valencia-type peanuts from the Southwest area which are suitable for cleaning and roasting and $528.86 for other Valencias.

Tobacco Carryover.--The excess poundage carryover program for burley and flue-cured tobacco will not be continued for the 1983 and subsequent markting years USDA announced May 20. The program was reinstated for the 1982 crop only, after having been in effect for crop years 1972 through 1978. Excess tobacco is that produced in excess of 110 percent of the effective farm quota.

On June 17, USDA announced that it would require flue-cured tobacco producers to certify in writing that any tobacco they deliver for price support contains no concealed foreign material or tobacco of inferior grade, quality or condition. This practice, called "nesting," was issued last year for producers of other kinds of tobacco but not for flue-cured.

Tobacco Grade Standards.--On June 27, USDA revised flue-cured tobacco grade standards to more accurately describe the fluecured tobacco now being marketed. The revisions include the addition of 9 new grades and new definitions for the color combinations of whitish-lemon -- LL -- and variegated dark red -- KD -- tobacco. Ten grades have been dropped. The new grades include: two grades for prematurely ripe and pale-colored tobacco from the cutters groups that have taken on the characteristics of the primings group; two grades for whitish-lemon colored tobacco produced during wet growing seasons; three grades for darker colors of tobacco increasingly marketed over the past few years; one grade for 4th quality slick lugs; one grade for tobacco with varigated orange colors found primarily in the cutters group.

Tobacco Support Levels.--The 1983-crop of flue-cured tobacco will be supported at $1.699 per pound, the same as the 1982 level USDA announced on July 26. As in the past, loans are unavailable on tobacco graded P5L, P5F, P5G, N1L, N1GL, N1PO, NO-G, N2 (second quality nondescript), W (doubtful keeping order), U (unsound) or scrap. Marketings of these low grades will be charged against the quotas of the farms on which they were produced. Loan rates will be discounted 10 percent for any grade of support primings which contain more dirt or sand than normal.

On August 2, the USDA issued prices support levels for 8 kinds of tobaccos that are unchanged from 1982 levels as required by the Tobacco Price Support Stabilization Act of 1983 signed by the President on July 25. The average support levels for the eight 1983-crop tobaccos are: burley $1.751; dark air-cured (types 35-36) $1.057; fire-cured (type 21) $1.188; fire cured (type 22-23) $1.23; Puerto Rican (type 46) $0.909; sun-cured (type 37) $1.094; cigar binder (type 51-52) $1.212; cigar binder and filler (types 42-44, 53-55) $0.907.

Loan Rates for Burley Tobacco.--The USDA, on August 23, announced loan rates for various grades of 1983 burley tobacco reflecting the national loan rate of $1.751 per pound and ranging from $1.16 to $1.95 per pound. The loan rates for most grades are the same as 1982 with minor adjustments to a few grades to reflect the overall grade distribution.

On September 7, USDA issued final rules to implement legislation requiring persons (but not individuals) who are not significantly involved in the management or use of land for agricultural purposes to either sell or forfeit their burley or flue-cured tobacco acreage allotments and marketing quotas. The term "persons" includes governmental entities, public utilities, educational institutions, religious institutions, partnerships, corporations, estates, and trusts. Persons who must sell their allotments and quotas to prevent forfeiture must do so by December 1, 1983, or December 1 of the year after the year in which the farm is acquired, whichever is later. (Note: This has been delayed by new legislation).

Tobacco Producer Contributions.--As a condition for price support on 1983 burley tobacco, producers must agree to contribute 5 cents per pound to a "no-net-cost tobacco account," on all burley tobacco sold, the USDA announced September 16. This is in conformity with the No Net Cost Tobacco Act of 1982. And on October 6, 1983 fire-cured (types 21-23) and sun-cured (type 37) tobacco producers began a 2 cent per pound assessment to a no-net-cost tobacco account on these tobaccos. On October 18, assessments of 3 cents per pound of dark air-cured tobacco; 4 cents per pound for northern Wisconsin binder (type 55) and Ohio filler (types 42-44) tobaccos; and 2 cents per pound for southern Wisconsin binder (type 54) tobacco began.

On September 6, USDA approved a new rule providing farmers official grading of U.S. type 31 Burley tobacco offered for sale at auction when displayed untied on burlap sheets. The rule change makes untied sheeted tobacco eligible for grading and price support for the 1983/84 and succeeding seasons.

Fruits and Vegetables

The Department, on June 9, revised U.S. grade standards for frozen green beans and frozen wax beans. With an effective date of July 10, the revision separates "character" attributes such as tenderness, maturity and firmness, from classified defects such as blemishes, mechanical damage and presence of stems. To simplify grade nomenclature, the revised standards eliminate the optional use of "U.S. Fancy" for Grade A, "U.S. Extra Standard" for Grade B and "U.S. Standard" for Grade C.

Cranberry growers in 10 states decided on June 16 to continue the Federal marketing order program that regulates the handling of their crop. On September 7, USDA revised the U.S. grade standards for American (eastern type) bunch grapes. The revised standards adjust the

tolerance limitations for grapes packed in small containers and make minor changes in bunch requirements for U.S. Number 1 table grapes. On September 9, USDA revised the U.S. grade standards for grapefruit juice. The revised standards change from 9 percent to 10 percent the soluable liquids requirement for grapefruit juice from concentrate. On September 12, USDA revised the U.S. grade standards for frozen leafy greens. The revised standards combine the grade standards for frozen spinach with standards for other types of frozen leafy greens. Separate requirements for tenderness and texture of leaves and stems take into account the differences in varietal types.

On June 9, USDA revised U.S. grade standards for tomatoes for processing. The revised standards, which became effective July 10, establish a basic color evaluation procedure with the flexibility to adjust to advances in electronic colorimeter technology. Those who use the standards have the option of using alternative colorimeters in addition to the one currently specified. On September 16, USDA revised the U.S. grade standards for canned sweetpotatoes. The requirement for "uniformly shaped" sweetpotato units has been dropped, and the method of determining uniform size has been changed. On October 13, USDA revised official grade standards for fall and winter squash to include pumpkins. The USDA, on October 14, ended proceedings to establish a marketing agreement and order program for pecans.

Sugar

Import Fee.--The import fee for raw sugar remained at 0 cents per pound during the July-December half and has been at that level since last October 1. The average domestic sugar spot price was 22.641 cents per pound, slightly higher than the market stablization price of 20.73 cents per pound established under the sugar support program, hence the import fee remains at 0. On September 1, the initial market stablization price for sugar was 21.17 cents per pound for fiscal year 1984, up less than one-half cent from the previous level. The new market stabilization price reflects the price support loan rate of 17.50 cents per pound, transportation of 2.62 cents, interest costs of 0.85 cent and an incentive factor of 0.2 cent per pound to encourage producers to sell in the market.

Imports.--The U.S. sugar import quota for the 1984 quota year will be 2.952 million short tons raw value USDA announced on September 15. This is 150,000 tons larger than the quota for the 1983 quota year. President Reagan, on June 28, signed a proclamation embargoing

imports of certain blends and mixtures of sugar and other ingredients. The products affected by the embargo all are newly-invented formulations. By mixing sugar with other commodities, such as fructose, glucose, cocoa or flour, traders have been able to bring in large quantities of sugar quota-free. The Presidents's action is temporary pending a ruling by the International Trade Commission and is taken under the authority of Section 22 of the Agricultural Adjustment Act of 1933 as amended.

Re-exports.--Under the rule issued by USDA on June 27, licenses will be issued for sugar to be imported into the U.S. exempt from quota, then exported in refined form. This allows U.S. refiners access to the same low-priced sugar as their competitors. Licenses may be issued only to a refiner of sugar, and there is a 28,000 short ton limit per applicant.

Loan Program.--The Secretary of Agriculture announced on August 31, that the price of the 1983 crop of domestically grown sugarcane would be supported through a nonrecourse loan program, which went into effect October 1, at the national average loan rate of 17.5 cents per pound for raw cane sugar. Domestically grown sugar beets will be supported under the loan program at a national average loan rate of 20.86 cents per pound for refined beet sugar.

Sugarcane Quarantines.--USDA on October 28, revised the sugarcane quarantine regulations affecting the U.S. Virgin Islands, Puerto Rico, Hawaii and parts of Florida. The changes remove restrictions imposed because of the West Indian sugarcane root borer and revise the rules to prevent the introduction of two sugar cane diseases, leaf scald and gummosis from spreading to new areas.

Livestock Programs

Aquaculture.--A plan designed to encourage the development of fish farming in the United States has been sent to the Congress. The National Aquaculture Development Plan was developed by USDA in cooperation with the U.S. Departments of Commerce and Interior and other agencies as required by the National Aquaculture Act of 1980 (PL 93-362). The plan identifies constraints to the development of fish farming, such as competition for land and water areas and markets, and shows ways the Federal government can support the growth of the aquaculture industry in the U.S.

Horses.--The USDA, on May 3, again restricted the importation of horses from Italy because of contagious

equine metritis, a venereal disease of horses. The restrictions apply only to mares and stallions of breeding age. In a related matter, USDA has approved 14 non-USDA laboratories to run contagious equine metritis metritis -- CEM -- tests on imported horses. Previously, testing for horses imported from countries affected with this disease was authorized only at the USDA National Veterinary Service Laboratory at Ames, Iowa.

On June 1, USDA and the People's Republic of China signed an agreement setting the health requirements for U.S. exports of cattle, swine and poultry to China. And on July 27, USDA announced that it would amend the rules governing mandatory inspection of eggs and egg products to allow egg products intended for industrial use and animal food to be exported. the new rules impose similar requirements on exported products as those distributed domestically. Domestic shipments must be properly labeled, shipped under government seal and controlled at receiving points by government inspectors.

The Department announced on May 16 that rendering plants would be exempt from animal health regulations governing treatment of food wastes fed to swine. USDA licenses processors who treat food wastes fed to swine, but has no need to license or inspect renderers since their normal processes exceed USDA standards. And the Department announced that on August 17 it would expedite approval of meat and poultry additives that have already been approved by the Food and Drug Administration or are generally recognized as safe.

On July 15, USDA notified inspection officials in 25 countries that they must correct deficiencies in their inspection programs if they wish to continue exporting meat to the U.S. after January 1, 1984. Under provisions of the 1981 farm bill, imported products must meet domestic standards for sanitation, species verification, and residue detection. The 25 countries are: Argentina, Belgium, Brazil, Bulgaria, Costa Rico, Czechoslovakia, Dominican Republic, El Salvador, France, Germany, Guatemala, Haiti, Honduras, Iceland, Ireland, Italy, Mexico, the Netherlands, Nicaragua, Panama, Rumania, Sweden, Switzerland, Taiwan, and Uruguay. Nearly 90 percent of U.S. meat imports come from 8 countries with inspection programs that currently meet requirements. These are: Australia, Canada, Denmark, Finland, Hungary, New Zealand, Poland and Yugoslavia.

In a point of clarification, USDA announced on October 7, that meat and poultry exporters would be responsible for reimbursing USDA for special inspection and certification services required by foreign importers.

On June 30, USDA revised its producers to permit licensing of veterinary biologics for low volume or emergency demands. Under the new procedures, each license will carry a termination date. Reissuance will depend on the manufacturer meeting specified conditions, such as completion of efficacy studies and the development of potency tests.

<u>Dairy Program</u>

<u>50-Cent Deduction</u>.--On August 3, the Secretary of Agriculture announced that USDA was increasing the deduction from the proceeds of sale of all milk sold commercially from September 1, 1983 through September 30, 1984 by 50 cent to a total of $1 per hundredweight. Deductions would be remitted to CCC to help offset the cost of the milk support program. Producers reducing their commercial milk marketings for September 1, 1983 through September 30, 1984 (the last month of the 1982-83 marketing year and the whole 1983-84 marketing year) by 8.4 percent from the average of the two marketing years that began October 1, 1980 will receive refunds of the second 50 cent deduction. These deductions ended on December 1, 1983 with enactment of PL. 98-180. The Secretary also announced that the price support level for manufacturing grade milk (3.67 percent average fat content) will continue at $13.10 per hundredweight for the marketing year beginning October 1, the minimum support level authorized by law. (PL. 98-180 reduced this to $12.60 per cwt.)

<u>Egyptian Butter and Cheese Purchases</u>.--On August 3, the general sales manager of USDA's Foreign Agricultural Service announced that Egypt had accepted a long-standing offer to buy 18,000 tons of butter and 10,000 tons of cheese from CCC stocks. The sale was made at world market prices and totals about $44 million. Payment will be in Egyptian Pounds and will be used to support American activities in Egypt. Deliveries will be made between September 1983 and continue through August 1984.

<u>Support Purchase Prices</u>.--On September 29, USDA announced that CCC will pay a price support level of $13.10 per hundredweight for manufacturing grade milk with a national average milkfat content of 3.67 percent, or $12.80 per hundredweight for milk of 3.5 percent milkfat. The support for milk is achieved by CCC's purchases of butter, cheese, and nonfat dry milk. The CCC will pay the following prices for the 1983-84 marketing year for the following:

(Dollars per pound)

Butter, U.S. Grade A or higher, New York City, NY and Jersey City, Newark, and Secaucus, N.J.*	1.5200
Nonfat Dry Milk (Spray) U.S. Extra Grade (but not more than 3.5 percent moisture). 50-pound bags:	
Unfortified	.9400
Fortified (vitamins A and D)	.9525
Cheddar cheese, standard moisture basis:	
40-pound blocks, U.S. Grade A or Higher	1.3950
500-pounds in fiber barrels, U.S. Extra Grade	1.3650

*Note: The price of butter located at any other point outside these cities will be the price at New York City minus 80 percent of the lowest published domestic railroad through freight rate for frozen butter in effect on October 1 of each marketing year from that other point to New York City. The appropriate freight car rate will be calculated on a per pound gross weight basis for a 60,000 pound carlot. However, the price at any location must not be less than the purchase price at New York City minus 3 cents per pound. For any location in Wisconsin or Kentucky, the price must not exceed the purchase price at Chicago which will be $1.49 per pound.

Natural Resources

On May 23, USDA announced that the entire Navajo Indian Nation was eligible for soil and water conservation assistance with the creation of a final Soil and Water Conservation District in Arizona, New Mexico and Utah.

On July 26, the Department announced a new nationwide volunteer program named the "Touch America Project." This project gives 14- to 17-year-olds a chance to develop work skills while they improve trails, repair or build small bridges and other facilities and improve salmon spawning channels. Some of the work will involve repairing recent flood damage to hiking trails and campgrounds. The program will be implemented at the local level. The USDA's Forest Service will provide the work opportunities but will depend on local organizations to provide sponsors and volunteers for the projects, supply transportation, food, outdoor equipment, financial assistance and other support.

Timber Contracts.--On July 28, the Department announced that it would begin to implement extensions authorized by the President for certain national forest timber sales. The extensions can be made for up to five years without requiring interest payments. They apply to sales made before January 1, 1982. Purchasers who wish to take advantage of the extensions must submit a multi-sale

extension plan to the contracting officer before December 31, 1983. The contract extensions are subject to the following conditions: the operating schedule will be incorporated into individual contracts in the form of a payment schedule; contracts extended will be subject to existing contract provisons regarding re-appraisal at the time of extension. Rates during extension could be higher but not lower; extended contracts will be subject to an approved plan of operations designed to ensure an orderly progression of operations; purchasers requesting extensions will be required to bear the cost of remarking and other additional costs to the Government associated with the delay in harvesting; if roads specified in the contracts are not already constructed they must be done so in the first operating season of the extension; extended contracts will be modified to include changes incorporated in new timber sale contracts in 1982 relating to the calculation of damages resulting from defaults.

Forest Service Payments.--On October 3, the Forest Service announced a total of $127 million in interim payments would be shared by 40 States and Puerto Rico as their part of national forest receipts collected in fiscal 1983. The interim payments represent about 75 percent of the total estimated amount due to States from receipts collected during the year for a wide variety of national forest products and services. The funds are used for schools and roads.

Pest Control

Boll Weevil Eradication.--On May 11, USDA announced that it would cooperate in a three-year boll weevil eradication program in North and South Carolina that would confine the pest's northern range to the northern border of Georgia. Carolina farmers are funding 70 percent of the program's costs and the Department's Animal and Plant Health Inspection Service will fund the remaining 30 percent. About 59,000 acres in North Carolina and 68,000 acres in South Carolina will be involved in the eradication effort.

Fire Ant Regulations.--Areas regulated to prevent spread of the imported fire ant in Alabama, Georgia, Mississippi, and South Carolina are being changed USDA announced September 2. Imported fire ant regulations restrict the movement of regulated articles from all or parts of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Texas to prevent artificial spread of the pest. Infested areas may be designated generally infested or suppressive; supressive areas are those where efforts are underway to eradicate the imported fire ant.

Articles that are prohibited from leaving the regulated areas include soil (except commercially prepared packaged potting soil in original containers), plants with soil on the roots (except home-grown houseplants), sod, hay and straw (unless used for packing or bedding) and used mechanized soil moving equipment (unless cleaned of loose soil).

National Pesticide Information Retrieval.--On October 2, USDA announced that a computerized system for retrieving facts about registered pesticides across the country would pass from the pilot stage to full operation on October 10. Management of the system will remain at Purdue University, West Lafayette, Indiana where the pilot program originated. Customers of the system can get pesticide label information, including active ingredients and products, via dial-up on standard computer terminals. They can also search for sites, pests, EPA registration numbers and brand names at both the Federal and State level.

Finance

CCC Loan Rate.--The interest rate on CCC loans has fluctuated significantly from May through November. In May, the rate stood at 9-1/8 percent and it decreased to 8-3/4 for loans issued in June. In July, the rate rose to 9-1/2 percent and continued to rise to 10 percent in August. In September, the rate was up to 10-1/2 percent and in October, had declined slightly to 10-3/8 percent. For November, the interest rate charged stands at 9-7/8 percent.

Emergency Loans.--On September 28, the Secretary announced that President Reagan had instructed him to reduce emergency loan interest rates by 3 percent from 8 to 5 percent for all farmers operating in counties designated eligible in the natural disaster emergency loan program for the 1983 crop season. the 5 percent will apply to the first $100,000 borrowed; the balance will be subject to the 8 percent rate. This rate applies to all eligible farmers who are unable to obtain credit elsewhere. The current rate of 13.75 percent applies to those able to obtain credit elsewhere. On September 19, USDA announced that a new computer network enabling Farmer's Home Administration's 46 State offices to order checks directly from the USDA loan office in Saint Louis, Missouri would become operational.

On October 6, the Department announced that unplanted acreage would not be counted as part of a county's production when damage assessments are made to determine eligibility for disaster emergency loan designation. Only land actually in production this crop year will be counted when deciding whether a county suffered a 30-per-

cent loss of crops to the summer's drought. After a county is designated a disaster area, farmers who have suffered more than 30 percent damage due to the dry weather may be eligible to borrow up to 80 percent of their losses not exceeding $500,000 or the loan amount needed. Acres contracted in the PIK program will be treated as having produced a normal crop.

Nutrition

Dairy Donations.--On May 5, the Department announced that CCC had donated 3,969,000 pounds of dairy products to the World Vision Relief Organization for distribution to needy persons in Poland. The dairy products include 1.323 million pounds of nonfat dry milk, 1.323 million pounds of cheddar cheese and 1.323 million pounds of butter. On May 25, an additional 1.825 million pounds of butteroil was donated to Poland. On June 13, CCC donated 120,000 pounds of nonfat dry milk and 37,000 pounds of butteroil to the Food for the Hungry organization for distribution to the needy in Bolivia. On June 17, CCC donated 2,095,000 pounds of nonfat dry milk to Colombia and 6,614,000 pounds to Indonesia. In Colombia, the Instituto Colombiano de Bienstar Familiar will distribute the milk to the needy especially those affected by a March 1983 earthquake. In Indonesia, the milk will be distributed by the Darhma Wanita Women's League to improve the nutritional status of children in public schools throughout the province of Java.

On June 24, CCC donated 15,510,000 pounds of dairy products to Chile and 250,000 pounds of dairy products to Children's Aid International, Inc. for the Philippines. A total of 14.8 million pounds of nonfat dry milk and 783,500 pounds of butteroil will be given to the Ministry of Health in Chile for distribution to needy children. On August 10, CCC donated 9.3 million pounds of nonfat dry milk and 240,000 pounds of surplus butteroil to Catholic Relief Services for distribution to needy persons in Pakistan and India. This Service will distribute 240,000 pounds of nonfat dry milk and 240,000 pounds of butteroil in Pakistan, and 8.98 million pounds of nonfat dry milk in India.

On August 11, CCC donated 22 million pounds of nonfat dry milk to the Catholic Relief Services for use by needy persons in Guatamala. the nonfat dry milk will be channeled through the Catholic Relief Services, the Cooperative for American Relief Everywhere (CARE) and some 20 additional local private voluntary organizations. Also on August 11, CCC donated 3.6 million pounds of surplus dairy products to Panama. A total of 3.2 million pounds of nonfat dry milk and 401,200 pounds of butteroil will be channeled through the Ministries of Health and

Education in Panama for distribution for needy and school-age children. The school children will take part in an experimental feeding program utilizing a milk/sugar/butteroil pellet for eating after school. And, on September 6, CCC announced that it had donated 11.4 million pounds of surplus dairy products to two nonprofit charitable organizations for distribution to needy persons in Mexico. The total includes 8.205 million pounds of nonfat dry milk, 2.425 million pounds of butteroil and 735,000 pounds of cheese. This agreement, the last to be handled by USDA under Section 416 of the Agriculture Act of 1949, bring to 20 the number of programs implemented this year. Donations under the 20 programs total 87,827 tons of dairy products.

On August 18, USDA announced that it was transferring major activities of the program to donate government-owned surplus dairy products to needy people in foreign countries to the Agency for nternational Development (AID). The transfer does not affect the domestic donation program and USDA will retain the responsiblity for determining the types and quantities of dairy products and the level of funds available for payment for donated dairy products, processing, domestic transporting and overseas freight, where appropriate, to export the products.

Food Stamps.--On June 23, USDA awarded a $2.2 million contract to Planning Research Corporation of McLean, Virginia to test a system in Reading, Pennsylvania that eliminates paper food stamps. Under the trial system, each food stamp household will get a magnetic card that has the recipient's picture, account number and biographical information laminated on it. The household will also get a personal identification number that must be used with the card at the grocery store to verify use of the card. At the checkout counter, checkers insert the card into a computer terminal and recipients enter their personal ID into an accompanying keyboard to activate the card. Recipient's accounts will be automatically debited by the amount of the food purchases and the grocers' accounts at a designated bank will be credited with the same amount.

Eligibility Limits.--On July 1 income eligibility limits for people who use food stamps increased, reflecting changes in the cost of living last year. Under the new guidelines, a family of four can have a gross income of $1,073 a month, previously the income limit was $1,008 a month. Following are the income limits for households of various sizes: 1 person, $527; 2, $709; 3, $891; 4, $1,073; 5, $1,255; 6, $1,437; 7, $1,619; 8, $1,801; and each additional member over 8, +$182.

On July 5, USDA announced that it would bill 6 States for more than $8 million for food stamp error rates above an acceptable level. The States to be billed are: Arizona, Alaska, Colorado, New Hamshire, Connecticut, and Florida. These States, along with Guam were notified last November that their error rates for the reporting period April-September, 1981, were above the national error rate of 12.6 percent, or their individual goal for that period.

School Lunch.--On June 17, USDA announced that it had finalized a system for finding and correcting management problems in local school lunch programs. Called the Assessment, Improvement and Monitoring System, the procedure is meant to foster better overall management of the lunch program by States, monitors the use of Federal funds and protects the nutritional value of the meals. USDa has earmarked $4 million annually in available State administrative funds to assist States in carrying out the system's requirements.

Income Limits for Reduced Price School Meals and WIC.--USDA announced that on July 1, increased income limits for free and reduced price school meals and for the special supplemental food program for Women, Infants, and Children (WIC), became effective. The income limit for free school meals will go from $12,090 to $12,870 annually for a family of four. The limit for reduced-priced meals will go from $17,210 to $18,315. A family of four may receive up to $18,315 and still take part in the WIC program. Previously, the income limit was $17,210. Congress requires USDA to update the eligibility guidelines each July 1, reflecting changes in the Consumer Price Index. The guidelines affect the National School Lunch program, school breakfast, special milk, and child care programs.

On September 20, the Secretary of Agriculture ordered an immediate halt to all distribution of ground beef processed by Cattle King, Denver, Colorado and Nebraska Beef Processors, Inc., of Gering, Nebraska which was earmarked for use in the Federal school lunch program. The action was prompted by reports indicating the ground beef may have come from substandard cattle and may have been processed under less than sanitary conditions.

Surplus Food Distribution.--On May 31, USDA announced that it would offer rice as well as dairy products and honey to schools and charitable institutions. During the past year, USDA donated 862 million pounds of bonus dairy products, valued at $1.2 billion, to these domestic outlets. Of the 862 million pounds, schools received

264 million, charitable institutions and households 517 million, summer camps, 2 million, and various other outlets 19 million.

On September 18, USDA announced a new system called the National Commodity Processing System which allows the Food and Nutrition Service to ship USDA process and chedder cheese, butter, nonfat dry milk, rice and honey directly to commercial food processors, for use in the manufacture of processed foods. The processors will convert the surplus foods into items that are easier to use such as cheese pizza, pork patties, cheese and onion enchiladas, beef and bean burritos, milk shakes and taco rollitos. These foods will then be sold to eligible schools and charitable institutions at prices that reflect only the value of the donated commodities contained within them.

On August 19, USDA donated 48,000 pounds of foods to Texas relief agencies for the estimated 20,000 hurricane Alicia refugees along the Texas Gulf Coast. USDA provided 20 food items including canned beef, canned pork, peanut butter, applesause, grapefruit juice, cheese, honey and rice.

International Actions

US-USSR Grain Agreement.--On August 24, the United States and Soviet Union signed a 5-year grain agreement in Moscow which began October 1, 1983. The agreement provides that the Soviet Union purchase 9 million metric tons annually of wheat and corn or substitute 500,000 metric tons of soybeans annually. Wheat and corn purchases may not drop below 4 million metric tons each but may be increased as much as 3 million metric tons for wheat and/or corn without prior consultations on the part of either side. The agreement stipulates that the purchases should be at the prevailing market price and should be evenly spaced as possible thoughout the year.

Blended Credit.--On May 10, CCC authorized $3.5 million in blended credit for the sale of about 16,000 U.S. breeding swine to the Dominican Republic. This blended credit package provides for credits up to three years. On May 11, CCC announced further details on a $61.5 blended credit package to Tunisia. The blended credit package provides for $49.2 million in guarantees under the Export Credit Guarantee Program (GSM-102) combined with $12.3 million in interest-free Government credits under the Export Credit Sales Program (GSM-5). The package is earmarked for the sale of $50 million worth of wheat; $6 million worth of corn; $5.3 million worth of dairy breeding cattle; and $200,000 worth of semen. On May 13, Secretary Block announced the allocation of $50 million

in blended credit to South Korea for the purchase of U.S. cotton. Authority was also granted to negotiate blended credit programs for other commodities.

On June 3, CCC extended the export period under the $315 million line established under the Export Credit Guarantee Program and the $100 million line for blended credit for Brazil. And on June 16, CCC under its blended credit program approved a $5 million transfer from the sales of U.S. hatching eggs to sales of vegetable seeds for Iraq. CCC, over the six month period also announced changes in several other blended credit arrangements with other countries, generally extending the delivery period or altering the mix of purchased commodities.

Export Credit Guarantees (GSM-102).--On July 21, USDA announced that it intends to revise the Export Credit Guarantee Program by issuing payment guarantees directly to the party that actually finances the export sale or arranges the financing instead of issuing the guarantee to the exporter. USDA is also considering a change in the regulations whereby the details of the guarantee terms and conditions would be shown in a payment guarantee document rather than in the regulations as is currently the case. Also, on September 14, CCC announced that $100 million of unused credit guarantees had been reallocated from nine countries and certain commodities and re-allocated to Mexico for the purchase of feed grains.

P.L.-480.--On September 27, the Secretary of Agriculture announced the commodities available for programming in the P.L.-480 program for fiscal year 1984. This determination is required by law and provides authority for shipments beginning October 1, for both the Title I/III concessional sales program and the Title II donations program. The following commodities and approximate quantities are currently proposed for 1984 shipment:

wheat	153.0 million bushels
rice	8.3 million hundred-weight
feed grains	0.6 million metric tons
upland cotton	27.0 thousand bales
edible vegetable oil & products	591.0 million pounds
soyfood products other than oil	112.5 million pounds
nonfat dry milk	308.1 million pounds
dry edible peas	100.3 thousand hundred-weight

On October 6, USDA released tentative fiscal 1984 food assistance allocations of $738.5 million by country and commodity, they are:

Initial FY 1984 Public Law 480 Title I/III
Country & Commodity Allocations

Country	$Mil. total	Wheat/ Flour	Rice	Feed- grains	Vegoil	Total Food	Cotton
		1,000 Metric Tons (grain equivalent)/ bales					
$795 or Less Per Capita GNP							
Bangladesh	$65	187	43	-	12	242	27
Bolivia	10	60	-	-	-	60	-
Congo a/	2	-	6	-	-	6	-
Costa Rica a/	20	90	-	30	-	120	-
Dominican Republic a/	20	-	-	77	9	86	-
Egypt	250	1,477 b/	-	-	-	1,477	-
El Salvador	32	120	9	-	12	141	-
Guatamala a/	7	-	-	-	9	9	-
Guinea	2	-	6	-	-	6	-
Haiti	11	48	-	-	4	52	-
Honduras	8	48	-	-	-	48	-
Indonesia	30	90	43	-	-	133	-
Jamaica a/	20	52 b/	14	28	2	96	-
Kenya	5	6	11	-	-	17	-
Liberia	15	-	43	-	-	43	-
Madagascar	6	-	17	-	-	17	-
Mauritus a/	3.5	5 b/	7	-	-	12	-
Morocco a/	25	150	-	-	-	150	-
Niger	1	-	3	-	-	3	-
Pakistan	50	-	-	-	66	66	-
Peru a/	20	30	29	-	7	66	-
Senegal	8	6	20	-	-	26	-
Sierra Leone	4	6	9	-	-	15	-
Somalia	16	29 b/	16	-	7	52	-
Sri Lanka	25	150	-	-	-	150	-
Sudan	50	286 b/	6	-	-	292	-
Tanzania	3	-	4	9	-	13	-
Tunisia a/	10	60	-	-	-	60	-
Yemen	3	17 b/	-	-	-	17	-
Zaire	10	59 b/	-	-	-	59	-
Zambia	7	16	5	-	3	24	-
Unallocated	738.5	2,992	291	144	131	3,558	27
Unallocated Reserve	52.5	-	-	-	-	-	-
Total Program	791.0	-	-	-	-	-	-

a/ Over $795 per capita GNP. b/ Wheat equivalent of flour or contains some portion of wheat equivalent of flour.

On October 10, USDA announced that P.L.-480 Title II ocean freight tenders for charter shipments arranged by USDA would be announced by Transportation News Ticker and Reuters Shipping Service.

Disease and Pest Control.--On May 4, USDA announced that it had expanded its list of foreign noxious weeds prohibited from entering the U.S. except under special permit. The added species include 8 species of aquatic weeds. Newly listed parasitic weeds include all species of cuscuta (dodders) and Orobanche (broomrapes) except for designated domestic species. Fortyfive types of terrestrial weeds are also restricted, including 25 species of Prosopis (mesquite). Also, effective June 22, all importers are required to pay deposits to reserve quarantine space at USDA animal import centers. Deposits will be $130 per animal for horses and $240 for each lot of livestock or zoo animals. On August 19, USDA announced that entry regulations on wheat imports that could carry foreign diseases were being changed effective August 23. Imports of wheat, wheat products except flour, and certain other items from Afghanistan, India, Iraq, Mexico and Pakistan were affected in USDA's efforts to keep flag smut and kernal bunt out of the United States.

On October 7, USDA announced that meat and poultry exporters would be responsible for reimbursing USDA for special inspection and certification services required by foreign importers.

On August 12, USDA and Brazil's national agricultural research organization signed an agreement to cooperate closely in agricultural activities involving research, science and technology. The agreement also provides for scientific exchanges, grants to agricultural scientists and students and joint sponsorship of scientific conferences. Also, on August 12, Secretary Block announced that the USDA and Venezuela's Ministry of Agriculture had agreed to create a U.S.-Venezuelan Commission on Agriculture to consider agricultural issues of interest to both countries. the Commission will also help implement recommendations of the Presidential Agricultural Task Force which visited Venezuela in November 1982.

Departmental Actions

Black Farmers.--On October 7, Secretary Block directed USDA agency administrators to provide within 30 days, proposals for changes in policies and programs to address the special problems of black farmers. The Secretary issued the directive after reviewing findings of a task force he appointed earlier this year.

Plant Variety Protection.--Eligibility for U.S. protection of plant varieties developed by foreign nationals will be changed under a final rule announced July 5 by the USDA. The change is being made to bring U.S. protection regulations into line with the International Union for the Protection of New Varieties of Plants. The rule went into effect August 5. The fee for plant variety protection, placed into effect on an interim basis last November from $750 to $1,500, became effective September 23.

POLICY THROUGH LEGISLATION

Tobacco Price Support Levels.--On July 25, the President signed P.L. 98-59 which amended section 106 of the Agricultural Act of 1949 for the 1983 crop of tobacco. The support level for any kind of tobacco for which marketing quotas are in effect or for which marketing quotas have not been disapproved by producers the support level in cents per pound must be the same support level as 1982.

Caribbean Basin Economic Recovery Act.-On August 5, the President signed P.L. 98-67, which gives him the authority to allow for duty free imports of products, with several exceptions, from designated Caribbean countries including sugar and beef. The imports, at the time of their entry into the U.S., must be valued at not less than 35 percent of the value of the raw materials used in the beneficiary country.

Extra Long Staple Cotton.--On August 26, the President signed P.L. 98-88 making the program for ELS cotton similar to that for upland cotton.

Wheat and Feed Grain Program Announcements.--On September 29, the President signed P.L. 98-100 requiring the Agriculture Secretary to announce no later than September 30 for each of the 1984 and 1985 feed grain crop years whether or not an acreage limitation or set aside is going to be in effect. Additionally, the Secretary was given the right to alter provisions of either program no later than October 30, if he determines there has been a significant change in the total supply of feed grains since the earlier annoncement. For wheat, the Secretary was mandated to announce any acreage limitation or set-aside for the 1985 crop no later than July 1, 1984, with the right to make an adjustment no later than July 31, if a significant change in the total supply in wheat had taken place since the earlier announcement.

International Coffee Agreement.--On October 12, the President signed P.L. 98-120, extending the life of the International Coffee Agreement of 1980 through 1985.

Dairy and Tobacco Adjustment Act.--On November 28, President Reagan signed P.L. 98-180, which significantly changed the existing dairy program. Dairy price support. Price supports, set at $13.10 decreased on December 1, 1983 to $12.60 per cwt until September 30, 1985. However, on April 1, 1985, the Secretary may reduce the level to $12.10 per cwt based on estimates that CCC

purchases in the coming 12 months will exceed 6 billion pounds milk equivalent. An additional 50 cent per cwt cut in the support level could be made on July 1, 1985, if projected annual CCC purchases exceed 5 billion pounds. 50 cent deduction. From December 1, 1983 to March 31, 1985 the Secretary must deduct 50 cents per cwt from producers for milk marketed commercially to offset the cost of the paid diversion. Paid diversion. No later than February 1, 1984, the Secretary must have completed signup for a 15-month paid diversion which begins January 1, 1984. this signup will consist of contracts with individual producers who wish to reduce marketings by 5 to 30 percent. Those producers willing to particpate will be paid $10 per cwt for foregone marketings on 5 to 30 percent of their base marketings. The Secretary will determine the level of reduction that will be accepted but may do so as late as February 1984. Adjusted contracts will then be returned to producers.

Producers willing to participate in the paid diversion must establish a marketing base of their 1982 calendar year milk production or the average of their 1981 and 1982 calendar year production. Producers are also required not to sell, lease or transfer cattle after November 8, 1983, except to another participant in the program or for slaughter.

The producer will file a plan showing the reduction in milk marketings including the amount to be reduced through cow slaughter, this will contain an estimate of the number of cows to be slaughtered each month. It will also include a description of how other means of reduction will be accomplished. Any changes in the plan must be reported to the Secretary. Moreover, the Secretary may require additional information on: 1) the number of dairy cattle culled and, 2) the anticipated e effectiveness of the producers plan.

The Secretary is requested by Congress to report weekly dairy cattle slaughter figures during the 15-month course of the program. Also, after the signup, the Secretary is asked to report the total anticipated dairy cow reduction. The Secretary is to take steps in assuring that dairy cow reductions not adversely impact beef, pork and poultry producers. The Secretary is also asked to assist in increasing public consumption of beef, pork and poultry including making Section 32 funds available for that purpose.

If too much milk reduction is anticipated as a result of heavy participation in the program, the Secretary is permitted to alter contracts. There can, however, be no geographical basis for the adjustments.

Dairy promotion. After a milk marketing order has been set up a 15-cent per cwt assessment will be required of all producers for dairy promotion. For the first 6 months producers can be fully credited for their state of local promotion up to 15 cents, after the 6 month period up to 10-cents can be deducted. The promotion program is subject to a producer referendum in September 1985.

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